

THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

SEPTEMBER 1, 1942

INDUSTRIAL output is establishing new records as expansion in the heavy industries continues. Scarcities of certain strategic raw materials have been developing, and the emphasis is shifting from the construction of new facilities to the balanced use of existing plants. A possible forerunner of reduced construction activity is the sharp decline in new contracts. Nonessential housing and other building have been greatly reduced. The production and shipment of both bituminous and anthracite coal continue heavy as consumers purchase these fuels in anticipation of needs.

Factory employment reached a new high in July and payrolls remained at about the June level. Further increases in average hourly wages were offset by decreases in working time. A considerable proportion of the expanded incomes of wage earners is being saved. Substantial amounts are being used to purchase War Savings bonds and stamps and to repay debts. Additional funds are being set aside partly in anticipation of taxes. Retail sales in recent weeks have been no larger than a year ago in dollars and appear to be somewhat smaller in physical units.

Manufacturing. Stimulated by heavy war requirements, the demand for factory products in this district has continued strong. Growing scarcities of materials, and the diversion of additional manufacturing facilities have further restricted purchases by civilians; but commitments on Government account are still increasing, chiefly in heavy goods lines.

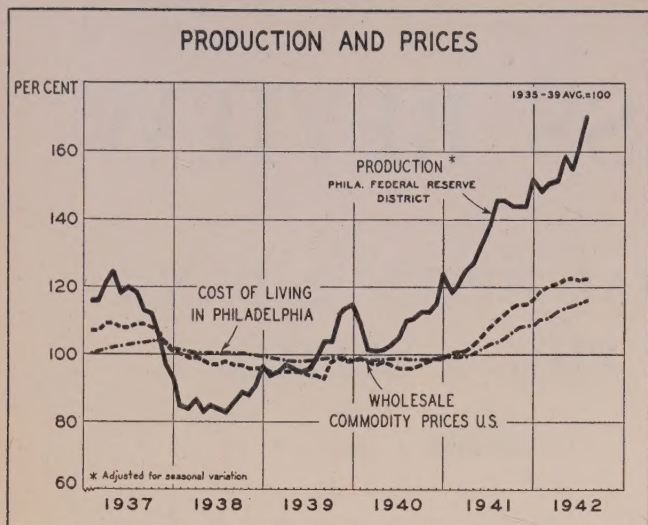
Operations in the munitions industries are

continuing to expand as new plants are completed and output is resumed at establishments converted to war production. Backlogs remain close to record levels in the heavy industries but further declines are reported in textiles and certain other nondurable lines.

Factory employment in Pennsylvania in July increased slightly to a new high of 1,178,000 workers, and wage disbursements continued near the record level of June, approximating \$40,600,000 a week. In the heavy industries, wage payments rose slightly further to a level 29 per cent above 1941; a small decline was reported at establishments making lighter products, where the volume was only 6 per cent greater than a year earlier. Preliminary reports indicated little change in employment and payrolls during August.

Hourly earnings of factory workers in Pennsylvania increased in July to a new high average of 91 cents, or about 10 cents an hour more than a year ago. The average number of hours worked per week decreased to 41½ from the twelve-year peak of 42½ in June. Weekly income declined slightly to an average of \$37.81, but was \$5.55 more than in July, 1941.

The output of factory products in this district increased further in July and was 17 per cent greater than a year ago. At plants making durable goods, production on a seasonally adjusted basis rose 9 per cent to a level 42 per cent above 1941. In nondurable lines, the gain in the month was slight and operations were 7 per cent lower than a year earlier. In the year to date productive activity in the heavy



industries has increased 46 per cent over last year, as against a decline of 2 per cent in lighter goods lines.

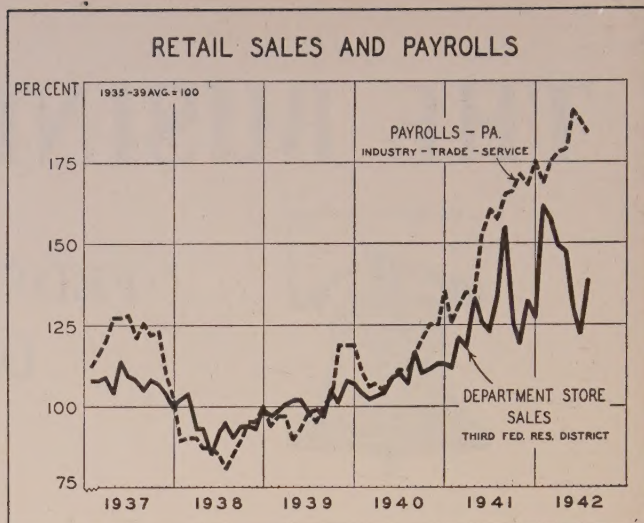
Coal and other fuels. The market for fuels remains exceptionally active. The continued accumulation of reserves by distributors and consumers will lighten the demands on transportation facilities in the fall. Advance buying of anthracite has been especially heavy.

The production of anthracite has exceeded seasonal expectations since May. Output of collieries in July was 10 per cent greater than a year ago, and the largest for the month since 1930. Shipments have expanded, averaging 3,850 cars a day in July, as against 3,680 in June, and 3,700 a year ago.

Output of bituminous coal in Pennsylvania has been well sustained since January. Production totaling 83,000,000 tons in the first seven months was 21 per cent greater than in 1941, and the largest for the period since the early nineteen-twenties. Shipments through July were sharply more than a year earlier.

Building. Construction activity in this district in July was close to the high level reached in June. Operations against contracts placed earlier continued somewhat above 1941 in most lines.

Awards of building contracts declined 41 per cent in July to \$23.2 million; they were the smallest since January and less than half as large as a year ago. Declines in the month and year were substantial in all types of construction except public works and utilities. In the



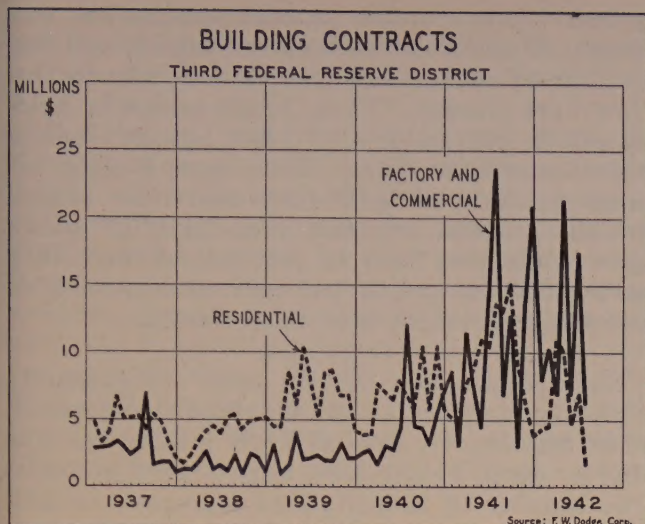
first seven months of 1942, total contract awards approximating \$200 million were 5 per cent greater than a year earlier and the largest for the period in over a decade. The sharpest gain over 1941 was in contracts for public works and utilities; awards for factory buildings also increased considerably, but a substantial decline was shown in residential awards.

Agriculture. Harvesting and other farming operations were delayed by excessive rains in early August. Some damage to tobacco, fruit and certain vegetables was reported, but growing conditions for other crops were generally favorable. Farmers are experiencing increasing difficulty in securing adequate labor.

Production of leading field crops other than wheat and white potatoes will be somewhat above average this year, according to official estimates. Yields of orchard fruits, other than peaches, and of many truck crops also are expected to compare favorably with those of recent years.

Farm cash income in Pennsylvania, New Jersey, and Delaware has continued to expand, approximating \$263,363,000 in the first half of 1942, or 33 per cent more than a year earlier.

Trade. Improvement in retail sales in July was shown in smaller than seasonal declines in most of the lines reporting to this Bank. Mixed changes were shown in comparison with a year ago, the sales of department, women's apparel, and shoe stores being larger, while those of furniture and men's apparel stores were substantially smaller. Reports for the first few



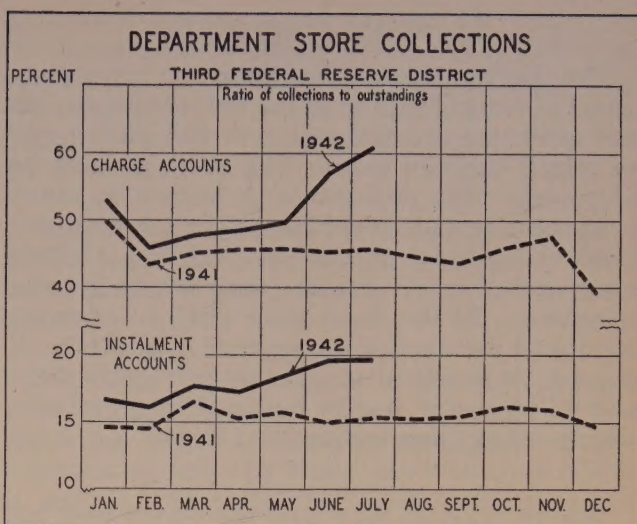
weeks of August showed that dollar sales were about the same as a year ago. The influence of consumer credit regulations relating to charge accounts was reflected in a further rise during July in the ratio of collections on charge accounts to receivables.

Inventories at the close of July were sharply larger than a year ago. Merchandise on order by department stores increased slightly, but was considerably less than in 1941, when advance commitments were unusually heavy.

Wholesale trade sales in the aggregate increased from June to July and were somewhat above a year ago. Increases in the year were reported in all lines except electrical supplies, paper and shoes. Inventories generally declined in July, but in dollars remained somewhat larger than a year earlier.

Rail freight shipments in this section did not change materially from June to July but fewer cars were loaded than a year ago. The tonnage of freight moved, however, probably has continued larger than in 1941 owing to the increasing minimum loads for less than carlot merchandise. On a seasonally adjusted basis, loadings of coke and forest products increased in the month.

Banking conditions. Heavy Treasury financing operations during the past month have been reflected in sharply increased holdings of Governments by the reporting banks, carrying earning assets to a new high point. The investment in Treasury bills rose \$30 million to \$96 million in the four weeks ended August 19.



Allotment of certificates of indebtedness increased holdings by \$21 million, and smaller amounts of Treasury notes and bonds were added to the securities portfolio. Since the beginning of the defense program the investment in Governments, direct and guaranteed, has increased \$359 million to \$802 million; this is over one-half of total earning assets.

Outstanding commercial advances recently have been steady, following a substantial decline from the peak reached early in the spring. Deposits of individuals and business concerns increased moderately in the month, but this gain was more than offset by withdrawals from other deposit accounts.

The reserves of all member banks declined \$50 million to \$640 million in the period from July 22 to August 19, but the volume of surplus funds in this district remains substantial and apparently well distributed. In the first half of July combined reserves and amounts due from banks were more than twice required reserves at four-fifths of the banks.

Treasury income from securities sales, tax collections and other sources exceeded disbursements by \$128 million in the four latest weeks. Reserves were further reduced by a substantial increase in currency demand, but the decline was limited by heavy gains in commercial transactions through the interdistrict settlements. Borrowings from the Reserve Bank continued light, the only material change in bills and securities being an increase of \$33 million to \$256 million in its participation in Government securities held by the System.

Treasury Financing

The United States Government expects to spend about \$77 billion in the current fiscal year and estimates are that not over \$25 billion will be raised through taxes. The balance must be borrowed. The problem is to borrow as much as possible from current income and a minimum from commercial banks, so that the already heavy inflationary pressure may not be greatly increased. In the fiscal year 1941-42 approximately 60 per cent of the expansion in outstanding securities issued or guaranteed by the Federal Government was in holdings of private investors other than commercial banks.

During August War Savings bonds and tax savings notes were continuously on sale, and weekly offerings of Treasury bills were maintained at the advanced level of \$350 million instituted late in July. To these were added the sale of \$1.2 billion of registered bonds of 1962-67, and the placement of \$1.6 billion in certificates of indebtedness.

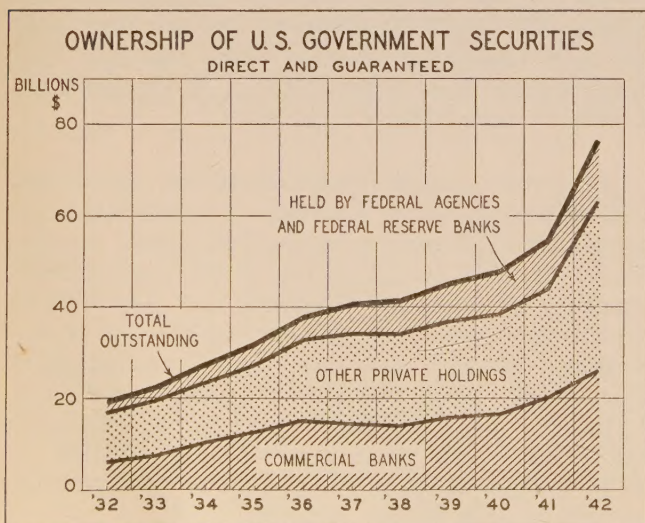
The special province of the Victory Fund Committees, set up in each Federal Reserve District, is to encourage the purchase of new Treasury securities by individuals, business concerns, various funds and organizations, savings banks and insurance companies. Active work on their part was reflected in the Third Federal Reserve District in sharply increased subscriptions to the registered 2½ per cent bonds. Books were open over a period of two weeks and subscriptions increased to \$77 million from the \$27 million received on a like offering in May. The

proportionate increase in subscriptions was the largest of any Federal Reserve District, and the number of subscribers was second only to the New York District. These bonds cannot be held by commercial banks until 1952, but are eligible as collateral for loans. They were bought by large numbers of individuals and trust funds, but the greatest amounts were taken by insurance companies, with 43 per cent of the total; savings banks, with 20 per cent; and by various pension, retirement and other funds.

Subscriptions to 7½ per cent, 11½-month, Treasury certificates of indebtedness totaled \$142 million, as against \$120 million on the shorter term, 5½ per cent, issue placed in June. The number of subscriptions increased to 437 from 334. Commercial banks and trust companies again accounted for three-fourths of the dollar amount; the balance was taken chiefly by business concerns.

Tenders on the weekly offerings of Treasury bills dropped off early in August, when other securities were being actively marketed. But the number of banks submitting tenders increased to 64 on the issue dated August 19 and to a new peak of 74 on the following issue. Bids were placed for \$29.5 and \$25.1 million respectively. Since last April the Reserve Banks have stood ready to purchase bills tendered to them at a discount rate of ¾ per cent per annum. This offer was broadened recently to permit the seller to repurchase bills before maturity at a like rate.

Incomplete figures for August indicate that sales of War Savings bonds of Series E in this district were close to the July level. But the sales of Series F and G declined substantially from July, when distribution was stimulated by the increase from \$50,000 to \$100,000 in the maximum amount purchasable in any one year.



Bank Financing of War Production

The flow of bank credit is being diverted to an increasing extent from production and distribution of civilian goods to the war program. Bank investments have increased substantially as a result of active buying of Government securities, and a growing proportion of bank loans is to finance war production by prime contractors and subcontractors. According to a recent survey of lending operations at member banks,

over 40 per cent of new bank credit to industry and trade, both in this district and in the country as a whole, has been for war purposes.

The survey, made for the period April 16 through May 15, 1942, and covering in this district 472 banks with 95 per cent of outstanding commercial and industrial loans, indicates that an active demand for bank credit is coming from war plants needing funds to maintain large volumes of goods in process, to pay heavy wage bills, and to provide equipment and supplies for record production. About one-half of the funds advanced during this period was at interest rates of from 3 to 5 per cent, with the balance divided about equally between higher and lower rates.

About nine-tenths of the new loans advanced to the metal industries and to the construction industry, busy enlarging productive facilities and providing houses for defense workers, was wholly or partly for war purposes. In the textile and leather, chemical and rubber industries more than one-half of the dollar volume was for war. The only lines of manufacturing in which the proportion was less than one-half were in the food, liquor and tobacco, and the unclassified groups. Loans to trade, financial, and service establishments were chiefly to finance civilian requirements.

Loans to the wholesale and retail trade accounted for 22 per cent of the dollar amount of all new loans last spring, apparently reflecting earlier inventory accumulation. Second in

importance, with 15 per cent of the total, was the construction industry, and third, the war-stimulated metals industry with 13 per cent. Manufacturers of textile and leather products, important in the industrial structure of the district, received 11 per cent of the new loans.

New loans and renewals were about equal in dollar amount. Renewals, one-third of which were to trade, were largely for non-war purposes.

Banks in Philadelphia accounted for 61 per cent of the loans and renewals made by the reporting banks. Nearly two-fifths of the amounts reported by them was wholly or partly to sustain war activities, as against little more than one-sixth at banks in smaller centers.

Concerns with estimated assets of less than \$50,000 received over one-half of the loans and renewals in number and one-sixth of the dollar amount. Those with assets of \$5 million or more accounted for only one per cent of the number of loans made, but received one-fifth of the total accommodation. The bulk of the funds—over three-fifths—was extended to the moderate-sized businesses which fall between these extremes.

A tabular summary of the survey is given below. The banks submitted details with respect to commercial and industrial loans of \$1,000 or more in the case of the smaller institutions and of \$5,000 or more at institutions handling large amounts of this class of business.

COMMERCIAL AND INDUSTRIAL LOANS

Made in Period April 16—May 15, 1942

Third Federal Reserve District

Summary of reports from 472 member banks

Dollar figures in thousands	TOTAL					NEW LOANS					RENEWALS				
	Actual	%	Purpose*			Actual	%	Purpose*			Actual	%	Purpose*		
			War	Non-war	Mixed			War	Non-war	Mixed			War	Non-war	Mixed
Manufacturing and mining:															
Metals.....	\$13,485	10%	79%	16%	5%	\$8,494	13%	84%	13%	3%	\$4,991	8%	71%	21%	8%
Petroleum.....	4,362	4	5	54	41	2,909	4	8	33	59	1,453	2	—	96	3
Chemicals and rubber.....	1,564	1	47	51	2	1,151	2	52	46	2	1,413	1	34	64	2
Textiles and leather.....	15,908	12	35	58	7	7,105	11	48	44	8	8,803	13	25	69	6
Foods, liquor and tobacco.....	7,657	6	4	95	1	2,979	5	7	90	3	4,678	7	2	98	0
Other.....	12,109	9	28	70	2	4,871	7	35	63	2	7,237	11	23	74	3
Total mfg. and mining.....	\$55,085	42%	38%	55%	7%	\$27,509	42%	48%	42%	10%	\$27,575	42%	28%	68%	4%
Construction.....	14,204	11	67	30	3	9,632	15	87	10	3	4,572	7	24	72	4
Trade.....	35,275	27	6	92	2	14,413	22	9	87	3	20,862	32	3	96	1
Utilities.....	7,399	5	18	75	7	5,246	8	23	67	10	2,153	3	4	96	—
Services.....	3,739	3	4	95	1	893	1	8	89	3	2,846	4	3	97	0
Finance companies.....	8,016	6	—	100	0	5,947	9	—	100	0	2,069	3	—	100	0
All other.....	7,833	6	6	93	1	1,751	3	13	85	2	6,082	9	3	96	1
GRAND TOTAL.....	\$131,550	100%	26%	70%	4%	\$65,391	100%	38%	56%	6%	\$66,160	100%	15%	83%	2%

* Percentage of total amount in each line.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted					
	July 1942	June 1942	July 1941	Per cent change			July 1942	June 1942	July 1941			
				July 1942 from		1942 from 7 mos. 1941						
				Mo. ago	Year ago							
INDUSTRIAL PRODUCTION	139p	130	119	+	7	+	17	+	20	132p	129	114r
MANUFACTURING	139p	131	119r	+	6	+	17	+	21	134p	131	114
Durable goods	211p	193	148	+	9	+	42	+	46			
Consumers' goods	91p	90	98r	+	1	-	7	-	2			
Metal products	164	157	148r	+	4	+	11	+	19	158	159r	142
Textile products	77p	74	90	+	3	-	15	-	11	71p	72	84r
Transportation equipment	506	437	235r	+	16	+	115	+	118	491	437r	229r
Food products	102p	97	91	+	5	+	11	+	7	93p	90	87r
Tobacco and products	111	116	108	-	4	+	4	+	16	120	126	116
Building materials	52	51	54	0	-	5	-	8	55	56	59	
Chemicals and products	137	133	154	+	3	-	11	-	1	134	133	151
Leather and products	120p	114	151	+	6	-	20	-	2	109p	111	137
Paper and printing	87	90	92	-	3	-	6	+	2	84	89	90
Individual lines												
Pig iron	115	115r	113	0	+	1	+	14	106	110	104	
Steel	140	128r	132	+	9	+	6	+	12	127	131	120
Silk manufactures	86	90	86	-	5	0	-	1	85	86	85	
Woolens and worsteds	64p	63	78	+	2	-	17	-	11	61p	61	73
Cotton products	66	61	67r	+	7	-	1	+ 2	57	58	58r	
Carpets and rugs	59p	58	107	+	1	-	45	- 50	56p	57	99	
Hosiery	92	81r	115	+	15	- 20	- 11	76	79	94		
Underwear	184	154	188	+	19	- 2	+	3	153	154	156	
Cement	69	68	78	+	1	- 11	+	9	81	82	91	
Brick	73	69	73	+	5	0	+	6	70	72	70	
Lumber and products	29	32	30	-	7	-	1	+	1	32	32	33
Bread and bakery products				+	3*	+	6*	+	6*	107	103	99
Slaughtering, meat packing	100	100	95	0	+	8	0	89	95	85		
Sugar refining	75	29	**	+161			- 33	77	31	**		
Canning and preserving	121p	116	109r	+	4	+	11	+	22	84p	83	89r
Cigars	111	116	107	-	4	+	4	+	17	120	125	115
Paper and wood pulp	83	79	91	+	4	-	9	+	5	79	78	87
Printing and publishing	88	93	93	-	5	-	5	+	1	85	92	90
Shoes	142	138	167	+	3	-	15	-	8	132	131	155
Leather, goat and kid	100p	92	135	+	9	- 26	+	9	88p	93	119	
Paints and varnishes	91	81	110	+	12	- 17	-	4	85	83	102	
Coke, by-product	162	158	152	+	2	+	6	+	7	158	158	149
COAL MINING	100	83	93r	+	20	+	8	+	11	79	77	73r
Anthracite	99	80	90r	+	24	+	10	+	10	77	74	70r
Bituminous	112	111	114r	0	-	2	+	21	98	98	100r	
CRUDE OIL	465	458	415	+	2	+ 12	+ 16	465	476	415		
ELEC. POWER—OUTPUT	383	374	353	+	2	+	8	+ 10	356	356	329	
Sales, total	374	367	342	+	2	+	9	+	12	352	356	322
Sales to industries	265	269	239	-	1	+	11	+	17	270	271	244
BUILDING CONTRACTS												
TOTAL AWARDS†	122	131	156	-	7	- 22	+	24	112	134	144	
Residential†	32	57	85	-	44	- 62	-	20	36	60	96	
Nonresidential†	173	212	212	-	18	- 18	+	34	160	216	195	
Public works and utilities†	261	162	186	+	61	+	41	+	85	225	154	160

* Unadjusted for seasonal variation.

† 3-month moving daily average centered at 3rd month.

** No July 1941 figures due to strike.

p—Preliminary.

r—Revised.

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932=100	Employment			Payrolls		
	July 1942 index	Per cent change from		July 1942 index	Per cent change from	
		June 1942	July 1941		June 1942	July 1941
GENERAL INDEX	133	0	+ 1	264	- 2	+17
Manufacturing	177	0	+ 5	375	0	+21
Anthracite mining	63	+ 3	- 4	79	-18	+32
Bituminous coal mining	102	- 1	- 3	320	-17	+13
Building and construction	58	- 3	-12	120	- 2	+ 7
Quar. and nonmet. mining	124	- 1	- 3	344	- 2	+ 9
Crude petroleum prod.	143	+ 1	+ 1	205	+ 3	+20
Public utilities	104	0	0	131	- 1	+ 6
Retail trade	105	- 5	- 5	142	- 5	+ 1
Wholesale trade	117	0	- 8	141	0	- 1
Hotels	96	- 2	- 8	132	- 2	+ 2
Laundries	119	+52	- 4	179	+81	+ 8
Dyeing and cleaning	109	- 3	- 2	205	-14	+34

Manufacturing

Indexes: 1923-5=100	Employment*			Payrolls*		
	July 1942 index	Per cent change from		July 1942 index	Per cent change from	
		June 1942	July 1941		June 1942	July 1941
TOTAL	114	0	+ 5	153	0	+21
Iron, steel and products	124	0	+ 9	215	- 1	+22
Nonferrous metal products	190	0	+ 8	332	+ 3	+36
Transportation equipment	116	+ 1	+28	178	+ 3	+60
Textiles and clothing	91	0	- 9	108	- 2	+ 4
Textiles	83	0	-11	99	- 2	+ 2
Clothing	124	+ 1	- 4	149	- 1	+ 7
Food products	112	+ 3	+ 4	141	+ 1	+16
Stone, clay and glass	94	- 1	+ 1	116	0	+11
Lumber products	58	- 2	-16	71	- 1	- 3
Chemicals and products	115	0	+ 3	161	0	+14
Leather and products	95	- 2	- 3	118	- 4	+ 7
Paper and printing	98	- 2	- 4	116	- 3	- 2
Printing	89	- 4	- 3	101	- 6	- 1
Others:						
Cigars and tobacco	70	0	+ 1	74	- 4	+10
Rubber tires, goods	102	+ 5	+ 2	169	+ 9	+29
Musical instruments	60	- 4	-21	81	- 9	-20

* Figures from 2848 plants.

Hours and Wages

Factory workers Averages July 1942 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	41.4	+ 3	\$.910	+12	\$37.81	+17
Iron, steel and prod.	42.8	+ 4	.979	+ 7	41.88	+12
Nonfer. metal prod.	42.5	+ 5	.843	+18	35.85	+25
Transportation equip.	46.9	+ 8	1.073	+18	50.24	+28
Textiles and clothing	37.5	+ 1	.638	+11	23.82	+13
Textiles	38.3	+ 2	.657	+13	25.13	+15
Clothing	35.5	0	.587	+ 9	21.15	+ 9
Food products	39.8	+ 4	.721	+ 8	29.06	+12
Stone, clay and glass	36.7	+ 1	.837	+ 9	30.60	+ 9
Lumber products	41.5	+ 1	.626	+10	25.71	+11
Chemicals and prod.	39.5	0	.952	+11	37.16	+11
Leather and prod.	38.4	- 2	.649	+12	24.99	+11
Paper and printing	38.9	- 4	.804	+ 7	31.87	+ 1
Printing	36.6	- 2	.938	+ 3	35.22	- 2
Others:						
Cigars and tobacco	37.9	+ 2	.507	+ 9	19.20	+11
Rubber tires, goods	42.8	+12	.860	+14	36.87	+28
Musical instruments	44.1	- 5	.796	+ 6	35.09	+ 1

* Figures from 2657 plants.

† Figures from 2848 plants.

Local Business Conditions*

Percentage change— July 1942 from month and year ago	Employment		Payrolls		Building permits value		Retail sales		Debits	
	June 1942	July 1941	June 1942	July 1941	June 1942	July 1941	June 1942	July 1941	June 1942	July 1941
Allentown	0	+ 6	0	+15	+ 123	-84	-20	+ 3	+10	+ 3
Altoona	- 2	0	- 8	+14	- 21	-74	-19	-24	0	- 8
Harrisburg	+ 1	+ 3	- 2	+24	+ 122	-90	-24	+ 5	+10	+23
Johnstown	- 1	- 4	- 1	0	+ 62	+ 3	+26	-21	+ 6	+ 8
Lancaster	+ 2	+ 5	+ 3	+27	+ 55	-63	- 5	+ 8	- 1	+ 7
Philadelphia	+ 1	+16	+ 4	+44	+1105	+40	-23	+ 6	- 2	- 3
Reading	0	- 4	- 2	+ 7	+ 63	-71	-19	+ 5	+ 5	-15
Scranton	- 5	- 4	-10	+ 8	- 66	-74	-19	-12	- 3	- 2
Trenton	- 1	- 4	- 1	+13	- 35	-11	-27	- 4	0	0
Wilkes-Barre	+ 2	+16	+ 6	+65	+ 19	-38	-21	+ 3	+ 6	+10
Williamsport	+ 1	+ 9	+ 1	+34	+ 68	+29			+17	+41
Wilmington	+ 1	+16	+ 5	+45	- 21	-83	-16	-16	-14	+ 3
York	0	- 3	- 1	+21	+ 325	-27	-15	+17	+ 9	+21

* Area not restricted to the corporate limits of cities given here.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	July 1942 from		1942 from 7 mos. 1941
	Month ago	Year ago	
Sales			
Total of all lines.....	+ 9	+ 4	+21
Boots and shoes.....	- 9	- 2	+18
Drugs.....	+ 2	+ 9	+12
Dry goods.....	+ 9	+19	+45
Electrical supplies.....	+12	-32	- 9
Groceries.....	+17	+ 9	+16
Hardware.....	-10	+ 4	+30
Jewelry.....	+ 5	+31	+ 8
Paper.....	- 2	- 4	+55
Inventories			
Total of all lines.....	- 5	+ 4	
Drugs.....	+ 1	+13	
Dry goods.....	- 2	+36	
Electrical supplies.....	- 7	-19	
Groceries.....	- 7	+ 1	
Hardware.....	- 5	-16	
Jewelry.....	- 9	-23	
Paper.....	- 2	+ 7	

Source: U. S. Department of Commerce.

Prices	July 1942	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100).....	167	0	+13	+67
Wholesale (1926 = 100).....	99	0	+11	+32
Farm.....	105	+ 1	+23	+73
Food.....	99	0	+17	+48
Other.....	96	0	+ 7	+19
Living costs (1935-1939 = 100).....				
United States.....	117	0	+11	+19
Philadelphia.....	116	+ 1	+12	+19
Food.....	123	+ 3	+19	+32
Clothing.....	126	0	+21	+27
Rent.....	107	0	+ 2	+ 4
Fuels.....	104	0	+ 2	+ 7
Housefurnishings.....	122	0	+13	+21
Other.....	111	0	+ 8	+11

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	July 1942	June 1942	July 1941	Per cent change			July 1942	June 1942	July 1941
				July 1942 from		1942 from 7 mos. 1941			
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	139p	122	134	+14	+ 4	+15	92p	116	89
Philadelphia.....	140	122	133	+15	+ 5	+17	88	115	84
Women's apparel.....	134	104	115	+29	+17	+13	75	90	65
Men's apparel.....	97	102	114	- 5	-15	+18	75	118	88
Shoe.....	132	122	115	+ 8	+14	+25	110	145	96
Credit.....	126p	112	143	+12	-12	+ 4	88p	103	100
Inventories									
Department stores—District.....	200p	187	120	+ 7	+66	.....	172p	175	103
Philadelphia.....	200	188	114	+ 6	+75	.....	172	175	98
Women's apparel.....	201	180	117	+12	+72	.....	151	147	88
Shoe.....	114	127	100	-10	+14	.....	99	122	87
Credit.....	247p	252	148	- 2	+67	.....	229p	229	138
FREIGHT-CAR LOADINGS									
Total	139	140	145	- 1	- 4	+ 4	144	143	150
Merchandise and miscellaneous.....	127	127	139	0	- 9	0	132	132	143
Merchandise—L.C.I.....	76	80	109	- 5	-30	-13	75	80	108
Coal.....	161	165	157	- 2	+ 3	+14	143	143	139
Ore.....	175	190	150	- 8	+16	+13	328	326	282
Coke.....	208	205	203	+ 2	+ 3	+10	192	193	187
Forest products.....	134	130	133	+ 3	0	+ 7	139	140	138
Grain and products.....	114	119	143	- 4	-20	- 1	123	100	161
Livestock.....	109	114	89	- 4	+22	+ 8	98	98	80
MISCELLANEOUS									
Life insurance sales.....	78	76	104	+ 2	-25	- 3	75	79	99
Hotels—(1934 = 100).....									
Occupancy.....				-11*	+ 5*	+ 7*	108p	122	103
Income, total.....				-16*	+16*	+11*	106p	127	92
Business liquidations									
Number.....				+11*	-16*	-29*	76	69	91
Amount of liabilities.....				+73*	+53*	-52*	53	30	34
Check payments.....	137	139	140	- 1	- 2	+ 6	133	144	136

*Computed from unadjusted data.

p—Preliminary.

BANKING STATISTICS

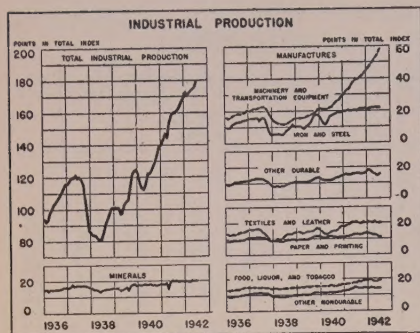
MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (000,000's omitted)	Aug. 19, 1942	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 279	.....	-\$ 20
Open market paper.....	30	- 2	- 14
Loans to brokers, etc.....	23	+ 1	+ 2
Other loans to carry secur.....	31	.....	.....
Loans on real estate.....	48	.....	- 3
Loans to banks.....	.....	.....	.....
Other loans.....	97	- 2	- 14
Total loans.....	\$ 513	-\$ 3	-\$ 49
Government securities.....	\$ 738	+\$63	+\$330
Obligations fully guar. teed.....	64	+ 1	- 32
Other securities.....	250	.....	- 21
Total investments.....	\$1052	+\$64	+\$277
Total loans & investments.....	\$1565	+\$61	+\$228
Reserve with F. R. Bank.....	432	- 59	- 161
Cash in vault.....	27	+ 2	+ 2
Balances with other banks.....	109	- 12	.....
Other assets—net.....	66	- 1	- 13
Liabilities			
Demand deposits, adjusted.....	\$1392	+\$ 6	+\$140
Time deposits.....	165	- 3	- 93
U. S. Government deposits.....	45	+ 1	+ 28
Interbank deposits.....	365	- 13	*
Borrowings.....	.....	.....	.....
Other liabilities.....	13	- 1	- 3
Capital account.....	219	+ 1	.....

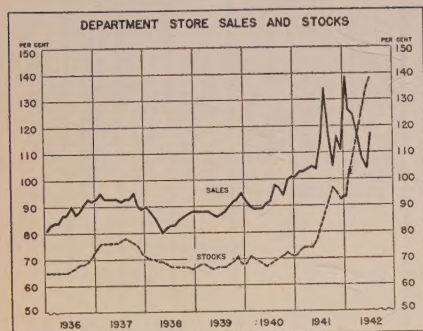
*Reciprocal bank balances now reported net.

Philadelphia Federal Reserve District (Millions of dollars)						Changes in weeks ended—				Changes in four weeks
						July 29	Aug. 5	Aug. 12	Aug. 19	
Sources of funds:										
Reserve Bank credit extended in district.....						+ 1.4	+ 3.4	- 2.4	+ 2.2	+ 4.6
Commercial transfers (chiefly interdistrict).....						+20.8	+33.0	+32.4	+14.0	+100.2
Treasury operations.....						- 8.4	-53.5	-20.4	-45.4	-127.7
Total.....						+13.8	-17.1	+ 9.6	-29.2	- 22.9
Uses of funds:										
Currency demand.....						+ 5.8	+ 6.5	+ 9.3	+ 5.5	+ 27.1
Member bank reserve deposits.....						+ 2.2	-19.9	- 1.0	-31.6	- 50.3
"Other deposits" at Reserve Bank.....						+ 5.8	- 3.6	+ 1.3	- 3.1	+ 0.4
Other Federal Reserve accounts.....						- 0.0	-0.1	+ 0.0	- 0.0	- 0.1
Total.....						+13.8	-17.1	+ 9.6	-29.2	- 22.9
Member bank reserves (Daily averages: dollar figures in millions)						Federal Reserve Bank of Phila. (Dollar figures in millions)				Changes in—
										Four weeks
										One year
						Aug. 19, 1942				
Phila. banks										
1941: Aug. 1-15.....						\$564.3	\$259.6	\$304.7	117%	
1942: July 1-15.....						473.8	313.6	160.2	51 "	
July 16-31.....						469.2	322.1	147.1	46 "	
Aug. 1-15.....						448.6				
Country banks										
1941: Aug. 1-15.....						\$203.7	\$111.0	\$ 92.7	83 "	
1942: July 1-15.....						216.0	148.0	68.0	46 "	
July 16-31.....						217.7	152.6	65.1	43 "	
Aug. 1-15.....						223.5				
Total.....						\$261.9	+\$33.0	+\$86.1		
Note circulation.....						707.2	+ 27.6	+222.5		
Member bk. deposits.....						639.5	- 50.3	-148.0		
U.S. general account.....						19.5	- 4.7	- 41.5		
Foreign deposits.....						69.2	+ 4.4	- 45.6		
Other deposits.....						9.6	+ 0.4	- 13.5		
Total reserves.....						1202.3	- 60.3	-116.5		
Reserve ratio.....						83.2%	- 2.8%	- 6.4%		

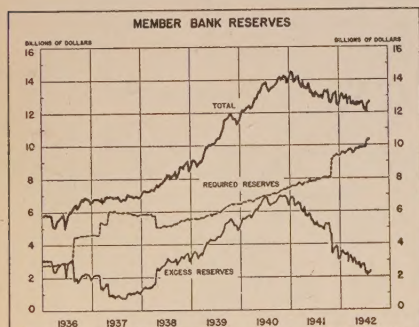
National Summary of Business Conditions



Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for July 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for July 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for August 12, 1942.

nounced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.

Bank credit. Excess reserves of member banks declined by about 200 million dollars in the four weeks ended August 19. An increase of about 400 million dollars of currency in circulation during this period was paralleled by a corresponding amount of Reserve Bank purchases of Government securities. There was an increase of 300 million dollars in required reserves resulting from a growth in deposits at member banks. Excess reserves in New York and Chicago reached their lowest levels since the third quarter of 1937. Effective August 20 reserve requirements on demand deposits at central reserve city banks were reduced from 26 per cent to 24 per cent by action of the Board of Governors of the Federal Reserve System. This had the effect of converting over 400 million dollars from required to excess reserves.

Member banks in leading cities continued to increase their holdings of United States Government securities, particularly in the week ended August 19, in which delivery of the new 11½ months' 7½ per cent certificates of indebtedness was made. Loans, which had declined during the second quarter of the year, have recently shown little change.

Adjusted demand deposits continued to increase at reporting banks, although purchases of Government securities, particularly the 2½ per cent Treasury bonds of 1962-67, by investors other than banks temporarily reduced demand deposits of individuals and added to United States Government deposits.

United States Government security prices. Prices of United States taxable bonds have shown little change during the past month. Taxable notes of 3- to 5-year maturity are currently yielding 1.26 per cent on the average as compared with 1.20 per cent in July. The rate of discount on new issues of Treasury bills has averaged 0.372 per cent for the past three weeks.

Industrial activity increased further in July and the first half of August, reflecting continued growth in output of military products. Retail sales increased during this period, following a decline, on a seasonally adjusted basis, during the first half of the year.

Production. Industrial output rose further in July and the Board's seasonally adjusted index advanced from 176 to 180 per cent of the 1935-39 average.

Activity continued to increase in the machinery and transportation equipment industries and in other lines producing war products. Shipbuilding expanded further and 71 merchant vessels were delivered in July. These had an aggregate deadweight tonnage of 790,300 tons—an all-time record for a single month's deliveries. In the automobile industry armament production increased in July to an annual rate of about \$5 billion as compared with a peak year's civilian output of \$4 billion. Iron ore shipments down the Great Lakes reached a new record of 13.4 million gross tons in July and plans were announced for improving rail and harbor facilities so that shipments next season could exceed considerably prospective shipments of 90 million tons or more this year. Last season 80 million tons were shipped.

In most other lines of manufacturing and mining, activity in July was maintained at about the levels prevailing in June. There were reports that some plants were forced to curtail operations owing to lack of certain materials, and further investigations were undertaken to determine present and prospective availability of material supplies.

Value of construction contracts awarded in July showed a reduction of about 20 per cent from the record level reached in June, according to figures of the F. W. Dodge Corporation. Declines were reported for most types of construction; awards for manufacturing buildings, however, increased further and constituted about one-third of total contracts let. As in June, publicly-financed work amounted to over 90 per cent of the total. In the first seven months of this year, awards were about 50 per cent larger than in the corresponding period last year.

Distribution. Distribution of commodities to consumers declined less than seasonally in July. The Board's adjusted index of department store sales, which had dropped from a peak of 138 per cent of the 1923-25 average in January to 104 in June, rose to 117 and sales by variety stores and mail-order houses also advanced, after allowance for usual seasonal changes. In the first half of August department store sales increased by more than the usual seasonal amount.

Railroad freight-car loadings increased more than seasonally in July and rose somewhat further in the first half of August. Shipments of miscellaneous merchandise, which include most manufactured products, and of forest products continued to rise. Grain shipments also increased but the rise was less than is usual at this time of year. Loadings of coal declined somewhat from the high level of other recent months.

Commodity prices. Wholesale and retail food prices advanced further in July and the early part of August, while prices of petroleum products on the East Coast were reduced, and those for most other consumer goods continued to show little change. In raw material markets price declines occurred for cotton, inedible fats and oils, and some scrap items, particularly nonferrous metals and paper. Demand for materials used more exclusively for war products continued strong and prices of these materials were sustained at ceiling levels.

Federal subsidies were arranged for additional commodities and Government war risk rates on shipments of imported commodities were reduced. These actions were taken to bring about price reductions, as in the case of petroleum products on the East Coast, and to prevent further price increases, particularly for imported commodities. About 30 new maximum price schedules were announced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.